

04-287

USAID Grant No.278-005-00

AMENDMENT NO. 10

TO

GRANT AGREEMENT

BETWEEN

THE HASHEMITE KINGDOM OF JORDAN

AND

THE UNITED STATES OF AMERICA

FOR THE

INCREASED ECONOMIC OPPORTUNITIES FOR JORDANIANS

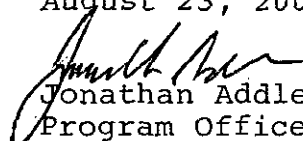
STRATEGIC OBJECTIVE

DATED:

23 AUG 2000

APPN:  
BPC :  
RCN :

Certified conformed copy  
of agreement signed on  
August 23, 2000

  
Jonathan Addleton  
Program Office Director

<b>FUNDS AVAILABLE FOR</b>	
ADM. RES. <input type="checkbox"/>	OBLIGATION <input checked="" type="checkbox"/>
EM. RES./EM. <input type="checkbox"/>	COMM. RES/COMM. <input type="checkbox"/>
ACTION TAKEN BY <i>BS</i> DATE <i>8/23/2000</i>	
APPROPRIATION: <i>720/11037</i>	
BPC: <i>1450-00-23278-KG31</i>	
RCN/ECN: <i>A220107</i>	

AMENDMENT NO. 10

TO

STRATEGIC OBJECTIVE GRANT AGREEMENT

BETWEEN The Hashemite Kingdom of Jordan (Grantee or GOJ), acting through the Ministry of Planning, and the United States of America, acting through the United States Agency for International Development (USAID).

WHEREAS, on June 26, 1997, the Grantee and USAID (Parties) entered into a Grant Agreement for the Increased Economic Opportunities for Jordanians Strategic Objective (Agreement) whereby USAID granted to the Grantee Four Million Eight Hundred and Seventy-Three Thousand Eight Hundred and Eighty-Three United States (U.S.) Dollars (U.S. \$4,873,883) to finance foreign exchange and local currency costs of achieving the Strategic Objective; and

WHEREAS, on August 26, 1997, the Parties amended the Agreement to, among other things, add an additional Intermediate Result within the Strategic Objective and provide additional USAID grant funding of Fifty Million U.S. Dollars (U.S.\$50,000,000) in the form of a cash transfer to help achieve the Strategic Objective; and

WHEREAS, on February 5, 1998, the Parties amended the Agreement to, among other things, provide additional USAID grant funding of Two Million U.S. Dollars (U.S.\$2,000,000) to finance foreign exchange and local currency costs of achieving the Strategic Objective; and

WHEREAS, on June 9, 1998, the Parties amended the Agreement to, among other things, provide additional USAID grant funding of Thirteen Million Five Hundred and Eighty Nine Thousand Four Hundred and Eleven U.S. Dollars (U.S.\$13,589,411) to finance foreign exchange and local currency costs of achieving the Strategic Objective; and

WHEREAS, on August 10, 1998, the Parties amended the Agreement to, among other things, provide additional USAID grant funding of Four Million Three Hundred and Thirty Nine Thousand and Thirty Three U.S. Dollars (U.S. \$4,339,033) to finance foreign exchange and local currency costs of achieving the Strategic Objective; and

WHEREAS, on August 10, 1998, the Parties amended the Agreement to, among other things, provide additional USAID grant funding of Fifty Million U.S. Dollars (U.S.\$50,000,000) to finance foreign exchange and local currency costs of achieving the Strategic Objective; and

WHEREAS, on June 30, 1999, the Parties amended the Agreement to, among other things, provide additional USAID grant funding of Twenty Four Million Seven Hundred Forty Nine Thousand Four Hundred Fifty U.S. Dollars (U.S.\$24,749,450) to finance foreign exchange and local currency costs of achieving the Strategic Objective; and

WHEREAS, on June 30, 1999, the Parties amended the Agreement to, among other things, provide additional USAID grant funding of Fifty Million U.S. Dollars (U.S.\$50,000,000) to finance foreign exchange and local currency costs of achieving the Strategic Objective; and

WHEREAS, on August 30, 1999, the Parties amended the Agreement to, among other things, provide additional USAID grant funding of Fifty Million U.S. Dollars (U.S.\$50,000,000) to finance foreign exchange costs of achieving the Strategic Objective; and

WHEREAS, on May 7, 2000, the parties amended the Agreement to provide additional USAID grant funding of Forty Six Million and One Hundred Ninety Nine Thousand and Seven Hundred Seventy Four United States dollars (U.S. \$46,199,774) to further help achieve the Strategic Objective and deobligate U.S. \$40,000 in FY 1997 funds, among other things;

WHEREAS, the Parties now wish to amend the Agreement to provide additional USAID grant funding of fifty million United States dollars (\$50,000,000) to finance foreign exchange and local currency costs to further help achieve the Strategic Objective;

NOW THEREFORE, the Parties hereby agree to amend the Agreement as follows:

1. Article 3: Contributions of the Parties, Section 3.1. USAID Contribution, Subsection (a) The Grant, is amended by deleting the amount of "Two Hundred Ninety Five Million Seven Hundred Eleven Thousand Five Hundred Fifty One United States Dollars (U.S. \$295,711,551)" and replacing it with the sum "Three Hundred Forty Five Million Seven Hundred Eleven Thousand Five Hundred Fifty One United States Dollars (U.S. \$345,711,551)."

2. Article 5: Conditions Precedent to Disbursement is hereby deleted and replaced with a new Article 5 as follows:

"Article 5: Conditions Precedent to Disbursement

Section 5.1. FY 2000 Cash Transfer, General Conditions Precedent

Prior to disbursement of the cash transfer of Fifty Million United States Dollars envisaged under Amendment No.10 of this Agreement (hereinafter referred to as "cash transfer"), or prior to the issuance by USAID of documentation pursuant to which such disbursement will be made, the Grantee will, except as the Parties may otherwise agree in writing, furnish to USAID, in form and substance satisfactory to USAID,

(a) Evidence that the Grantee has established the Separate Dollar Account described in Article 8 of this Agreement, together with the Grantee's certification that such bank account has been established and will be maintained as required by this Agreement and/or subsequent Implementation Letters ("ILs").

(b) Evidence that the Grantee has established the Local Currency Account described in Article 9 of this Agreement, together with the Grantee's certification that such account has been established and will be maintained as required by this Agreement and/or subsequent ILS.

#### Section 5.2. FY 2000 Cash Transfer, Policy Reform Conditions Precedent

Prior to the disbursement of the cash transfer, or prior to the issuance by USAID of documentation pursuant to which such disbursement will be made, the Grantee shall, except as the Parties may otherwise agree in writing, meet the following policy reform and related Conditions Precedent and furnish to USAID, in form and substance satisfactory to USAID, evidence of the following actions:

##### Subsection 5.2.1. Streamlined Customs Procedures

5.2.1: The Customs Law has been amended to conform to World Trade Organization (WTO) agreements on Customs valuation, rules of origin, Trade Related Intellectual Property Rights (TRIPS) and the General Agreement on Tariffs and Trade (GATT 1994).

##### Subsection 5.2.2. Streamlined Foreign/Domestic Investment Policies and Procedures

5.2.2.1: The Jordan Investment Board has drafted an amendment to the Investment Promotion Law that provides to the Jordan Investment Board (JIB) a strong degree of autonomy, streamlined investment approval procedures, and a private sector-driven management approach.

5.2.2.2: The Ministry of Industry and Trade (MIT) has submitted to USAID, in writing, (a) the results of a comprehensive review of Jordan's commercial bankruptcy law and (b) recommendations for bringing the law into accordance with widely accepted international best practices (e.g., restructuring provisions such as those of Chapter 11 of the U.S. bankruptcy law).

5.2.2.3: The Jordan Industrial Estates Corporation (JIEC) has presented USAID with written confirmation that private sector firms can participate in the long-term management and development of the JIEC industrial estate in Aqaba.

##### Subsection 5.2.3. Accession to the World Trade Organization (WTO)

5.2.3: The Government of Jordan has:

- (a) Presented written evidence that documents its accession to the WTO;
- (b) Submitted to the Parliament, for approval, drafts of the following thirteen laws: 1. Law on Patents; 2. Amendments to the Law on Trademarks; 3. Amendments to the Law on Copyrights; 4. Law on Unfair Competition and Trade Secrets; 5. Law on Plant Variety Protection; 6. Amendments to the Customs Law; 7. Law on Standards and Metrology; 8. Law on Agriculture; 9. Law on Industrial Design; 10. Law on Integrated Circuits; 11. Law on Geographical Indications; 12. Amendments to the Law on General Sales Tax; and 13. Amendments to the Law on Unifying Fees and Taxes.
- (c) Submitted to the Cabinet of Ministers for approval: 1. Law on Food Control; and 2. Law on Imports and Exports.
- (d) Drafted by-laws and regulations addressing anti-dumping, countervailing, and safeguard measures that conform to WTO requirements.

#### Subsection 5.2.4. Prudential and Efficient Financial Intermediation

5.2.4.1: The Central Bank of Jordan (CBJ) has provided written confirmation that the CAMEL rating system is employed in bank supervision in Jordan.

5.2.4.2: (a) The Ministry of Finance has drafted necessary legal amendments to Income Tax Law No. 57 of 1985 allowing tax deductibility of bank provisions for non-performing loans; (b) the Income Tax Department has sent to USAID, through the Ministry of Planning, a letter confirming that implementing regulations for the income tax law amendment will conform to international best practices for tax treatment of provisions.

#### Subsection 5.2.5. Efficient and Well-Regulated Capital Markets

5.2.5: (a) an automated trading system is fully operational at the Amman Stock Exchange (ASE). (b) The Securities Depository Center has begun development of an automated depository, clearance and settlement system, consistent with the Jordanian Securities Law.

#### Subsection 5.2.6. Privatization of State-Owned Enterprises (SOEs)

5.2.6.1: (a) The Royal Jordanian (RJ) Restructuring and Privatization Executive Committee and the Higher Ministerial Committee for the Restructuring and Privatization of Royal Jordanian have submitted to Parliament for approval draft legislation to revoke Alia/RJ Law 10/69; (b) winning bids for the private acquisition of at least one "non-core" business unit of Royal Jordanian Airline have been submitted for approval to the Higher Ministerial Committee for the Restructuring and Privatization of Royal Jordanian; and (c) tenders have been issued for the privatization of at least two other "non-core" business units of Royal Jordanian.

5.2.6.2: The Special Committee for the privatization of assets of the former Ministry of Supply has submitted to the Higher Cabinet Committee for Privatization for administrative decision a report with recommended privatization options for the government-owned grain storage facilities of the former Ministry of Supply.

Subsection 5.2.7. Increased Role of the Private Sector in  
Infrastructure Projects and Management Contracts

5.2.7.1: The GOJ has publicly announced that as of January 1, 2000 private sector importers have unrestricted rights to import wheat and other grains.

5.2.7.2: The Ministry of Energy has presented to USAID written confirmation that an Independent Power Producer (IPP) has been selected for the Samra-Zarga power plant.

Subsection 5.2.8. Improved Fiscal Management and Budget  
Rationalization to Enhance Public Sector Efficiency

5.2.8.1: (a) The Cabinet of Ministers has submitted to Parliament for approval a law to institute the Second Stage Sales Tax (SSST/VAT); and (b) the Ministry of Finance has administratively separated the Sales Tax Department from the Customs Department.

5.2.8.2: The Ministry of Finance has drafted amendments to the Public Debt Law, or a new draft Public Debt Law, either of which should conform to Jordan's current domestic debt requirements.

5.2.8.3: The Cabinet of Ministers has approved an increase in wastewater treatment tariffs of at least 12 percent over the 1999 tariff for the Greater Amman area, to be effective by January 2001.

5.2.8.4: The Ministry of Water and Irrigation has submitted to the Cabinet of Ministers for approval a draft proposal for a new irrigation water tariff structure based on varying water quality and/or volume.

5.2.8.5: (a) The Jordan Valley Authority (JVA) Board has submitted to the Cabinet of Ministers for approval a draft amendment to the Jordan Valley Authority Law which increases incentives to conserve water and to adopt more efficient cropping patterns by: (1) focusing the role of the JVA on providing water and reducing the role of JVA in municipal development and tourism; (2) permitting the sale of land rights among farmers; and (3) permitting renewable longer-term land leases to any person. (b) The Jordan Valley Authority/Ministry of Water and Irrigation has provided to USAID, through the Ministry of Planning, written confirmation that there are, and will be, no legal barriers to the formation of water users' associations in the Jordan Valley with powers over water scheduling, sharing and fees.

5.2.8.6: The Ministry of Health (MOH) has presented to USAID, in form and substance acceptable to USAID, a report listing policy options which the MOH could undertake to decentralize authority from the central level to

Governorates and/or selected hospitals which would improve the cost effectiveness of MOH service delivery. The report will review administrative, financial, personnel and technical decision-making processes, and, as appropriate, laws, regulations and policies that might be improved.

5.2.8.7: The National Population Commission (NPC) has presented to USAID, in form and substance acceptable to USAID, a list of NPC-endorsed policy recommendations which the GOJ could implement in the future to reduce regulatory, procedural, operational and other barriers to providing family planning services in Jordan.

### Section 5.3. Notification

USAID will promptly notify the Grantee in writing when USAID has determined that a condition precedent has been met.

### Section 5.4. Terminal Date for Conditions Precedent

If all the conditions specified in Sections 5.1 and 5.2 of this Agreement have not been met within one hundred eighty (180) days from the date of the execution of Amendment No. 10 to this Agreement, or such later date as USAID may agree to in writing, USAID, at its option, may terminate this Agreement by written notice to the Grantee."

### 3. Article 8: General Terms and Conditions Relating to Use of the Cash Transfer, Section 8.1, Use of the Cash Transfer, is hereby amended as follows:

The opening clause of paragraph (a) is hereby deleted and replaced in its entirety with the following: "The cash transfer provided under Amendment Number 10 to this Agreement shall be utilized by the Grantee to cover payments and/or reimbursements for payments made during the period from October 1, 1999 or after (as the cash transfer provided under Amendment No. 1 to this Agreement was utilized by the Grantee to cover payments and/or reimbursements for payments made during the period from January 1, 1997 or after, as the cash transfer provided under Amendment No. 5 to this Agreement was utilized by the Grantee to cover payments and/or reimbursements for payments made during the period from January 1, 1998 or after, and as the cash transfers provided under Amendments Number 7 and 8 to this Agreement were utilized by the Grantee to cover payments and/or reimbursements for payments made during the period from October 1, 1998 or after), in the following categories, in order of precedence:"

### 4. Article 9: General Terms and Conditions Relating to the Local Currency Account associated with the Cash Transfer.

Section 9.2, Deposit into the Local Currency Account, is hereby amended by adding the following sentence at the end of subsection 9.2(e):

"For the FY 2000 cash transfer, the Local Currency equivalent of the total value of the cash transfer will be deposited into the Local Currency Account in four installments as described below or as the Parties may otherwise agree in writing through an exchange of ILs. Four equal installments, each in the amount of the Jordanian Dinar equivalent of U.S.

dollars 12.5 million, will be made within 15 working days after the beginning of each quarter in calendar year 2001 (i.e., January 1, 2001; April 1, 2001; July 1, 2001; and October 1, 2001), calculated at the highest legally obtainable rate of exchange as determined by the Central Bank of Jordan which, as of the date of deposit, is not unlawful in Jordan."

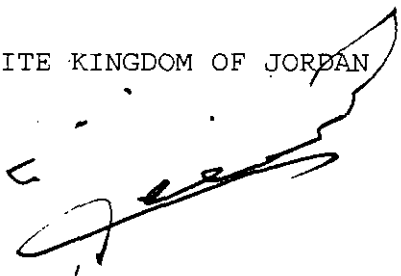
5. Annex 1 to the Agreement is deleted and hereby replaced with the revised Annex 1 attached hereto.

6. Except as amended herein, the Agreement, as previously amended, remains in full force and effect.

IN WITNESS WHEREOF, the Parties, each acting through their duly authorized representative(s), have caused this Amendment to be signed in their names and delivered as of the day and year first above written.

THE HASHEMITE KINGDOM OF JORDAN


BY:

  
H.E. Mr. Jawad Hadid

TITLE: Minister of Planning


THE UNITED STATES OF AMERICA

BY:

  
William J. Burns

TITLE: U.S. Ambassador

BY:

  
Toni Christyansen-Wagner

TITLE: Mission Director  
USAID/Jordan



**INCREASED ECONOMIC OPPORTUNITIES FOR JORDANIANS  
STRATEGIC OBJECTIVE**

**AMPLIFIED DESCRIPTION**

**I. INTRODUCTION**

This Annex describes the activities to be undertaken and the results to be achieved with the funds obligated under this Agreement. Nothing in this Annex 1 shall be construed as amending any of the definitions or terms of the Agreement.

**II. BACKGROUND**

Deteriorating growth rates pose a new challenge to Jordan's attempts to provide adequate economic opportunities for the majority of its citizens. At least 42,000 new jobs need to be created each year to absorb new workers entering the labor market--and another 8,000 more jobs to begin to reduce the country's unacceptably high unemployment rate, optimistically estimated at 15 percent. The World Bank estimates that in 1995 GNP per capita for Jordan's 4.2 million citizens was on the order of \$1,500, placing Jordan in its lower-middle income country group. With the natural population growth rate now estimated at 2.6 percent per year, significant economic growth must occur in Jordan for per capita income to increase, or even to remain steady.

Jordan is poor in natural resources. Only 8 percent of its land is arable, much of it concentrated in the Jordan Valley, which cannot hope to provide a basis for broad-based economic growth for the entire country. Remittances from overseas workers and tourism remain the major two sources of foreign exchange. While phosphate and potash mined from the Dead Sea are important exports earning valuable foreign exchange, they too offer limited growth potential. Given these constraints, economic growth, particularly from exports, must come from a diversification of Jordan's economy and increased utilization of its educated and well-trained work force.

To that end, the Government of Jordan (GOJ) initiated a series of IMF and World Bank-supported economic reforms to liberalize trade and investment policies. Recent economic developments have been discouraging, with economic growth estimated at only 1.3 percent in 1997, 2.2 percent in 1998 and around 2 percent in 1999. Nonetheless, the GOJ is continuing to pursue policies and programs designed to liberalize its economy in order to promote economic growth through increased savings and greater investment. The GOJ hopes that these actions will contribute to a lowered unemployment rate and increased per capita incomes.

### III. STRATEGIC OBJECTIVE AND INTERMEDIATE RESULTS TO ACHIEVE THE STRATEGIC OBJECTIVE

A. The Strategic Objective: The Strategic Objective is to increase economic opportunities for Jordanians.

The Strategic Objective aims at promoting market-based economic growth and restructuring in Jordan. It also represents a direct response to concerns that the benefits of economic restructuring are spread unevenly and fail to benefit poorer segments of the population. Only by reaching-out to groups that by and large have not yet benefited from the reform process--for example, micro- and small business people, the poor, women, youth, and residents of more isolated areas of the country--will Jordan be able to maintain the momentum of its reform efforts, sustain its economic restructuring program and insure that the benefits of economic growth are widely shared.

This formulation underscores the fact that individual Jordanians are to be the main beneficiaries, especially those who heretofore have failed to benefit from the economic restructuring process. USAID activities under this Strategic Objective support the goal of encouraging "broad-based economic growth" by expanding access and opportunities through financial services and by encouraging more effective implementation of policy reforms that benefit entrepreneurs, including women and youth, as well as facilitating the creation of an improved environment which will allow for sustainable policy reforms.

Other development partners are addressing a range of constraints to increasing economic opportunities. The lead partner is the World Bank with its Economic Reform and Development Loan III (ERDL III), the proposed Public Sector Reform Loan series and its support, along with other donors, for Jordan's Social Productivity Program (SPP). This Strategic Objective targets activities which ultimately increase the number of private companies registered, promote greater access to credit on the part of micro entrepreneurs, expand the number of micro- and small entrepreneurs utilizing the commercial banking system, and increase the number of jobs and the amount of investments facilitated through the Investment Promotion Corporation (IPC). The Strategic Objective will be achieved by improving access to business and financial services and by more effective policy reform and implementation, including in those areas that potentially benefit micro- and small-enterprises. Its achievement will also be predicated on an improved policy environment which actually encourages economic development.

The Strategic Objective is the overall or ultimate result that USAID and the GOJ intend to achieve in this Agreement. Key indicators for measuring attainment of the Strategic Objective are as follows or as further agreed upon in writing by the parties:

- 5.1 Percentage increase in number of companies registered.
- 5.2 Number of micro- and small-entrepreneurs utilizing the commercial banking system.
- 5.3 Number of jobs created by companies benefiting from Investment Promotion Corporation incentives.

The Intermediate Results (described below) are the key results which must occur in order to achieve the Strategic Objective.

B. Intermediate Results (IRs): The Strategic Objective for this Agreement will be accomplished through the achievement of three Intermediate Results, as follows:

5.1 Increased Access to Business and Services

The indicators in determining progress toward achieving IR 5.1 include:

- 5.1.1 Increased number of borrowers obtaining micro and small-enterprise credit;
- 5.1.2 Percentage of repeat borrowers for USAID-supported microenterprise finance;
- 5.1.3 Number of jobs saved and/or generated by USAID-supported Business Service Center Clients (BSCs);
- 5.1.4 Client ratings of business and consulting services in USAID-supported BSCs.

5.2 More Effective Identification and Implementation of Policy Reform

The indicators in determining progress toward achieving IR 5.2 include:

- 5.2.1 Level of entrepreneurs awareness of key economic policy reforms;
- 5.2.2 Level of foreign direct and domestic investments facilitated to the Investment Promotion Corporation (IPC);
- 5.2.3 Customs clearance times for imports.

5.3 Improved Environment for Sustained Policy Reform

The indicators in determining progress toward achieving IR 5.3 include:

- 5.3.1 Index of Economic Freedom (IEF) Composite Score;
- 5.3.2 "Oracle" expert assessment of progress in economic reform;
- 5.3.3 Progress toward accession to the World Trade Organization;
- 5.3.4 Progress toward further rationalization of the tariff structure;

5.3.5 Progress toward efficient and well-regulated capital markets.

5.3.6 Progress toward privatization of state-owned enterprises (SOEs)

C. Details on Indicators: Details on the indicators set forth above may be further agreed upon or revised in accordance with Article 2 and Section 7.2 of the Grant Agreement for the Strategic Objective ("SOAG") of which this Annex 1 is an integral part. For all purposes of the SOAG, including Article 2 and Section 7.2, indicators may include baselines and targets for measuring or achieving performance.

#### IV. ILLUSTRATIVE USAID-FUNDED ACTIVITIES

The Parties agree to finance activities covering three Intermediate Results needed to achieve the Mission's broader Strategic Objective. The proposed activities will be selected from among those described below, or others agreed upon by the parties:

A. Increased Access to Business Services (IR 5.1):

The central theme of this IR is to increase the productivity and competitiveness of Jordan's small, medium, and micro enterprises by promoting entrepreneurship and improving access to finance, technology, markets, and modern management techniques.

1. *Sharing Microfinance Best Practices:* The goal will be to develop and strengthen the working knowledge of Jordanian NGOs and commercial banks (including, for all purposes of this Agreement, PVOs) about microfinance best practice. This activity will actively pursue and support local institutions to effectively apply and benefit from using best practice in a Jordanian context. These "best practices" will be introduced to a range of NGOs active in Jordan, and will serve to improve existing or new techniques as well as to identify potential candidates for more intensive technical assistance in a later phase. Both technical assistance and training is envisaged as part of this effort. The ultimate aim is to develop and expand microenterprise skills and capabilities among individuals and institutions in Jordan.

2. *Institutional Microfinance Incentive Grants:* For sustainable microfinance institutions, USAID and MOP will jointly identify through a competitive procurement process, an institutional contractor to provide technical support to establish and manage an incentive grant program targeted at improving the ability of existing microenterprise institutions to reach financial sustainability by year five of their program-funded activity. The incentive grants program will support the improvement and implementation of microenterprise best practice methodologies and the adaptation of new global trends within the Jordanian context. The incentive grants program will assist NGOs and commercial banks to provide improved financial services to large numbers of people in need of better access to financial services. The institutional contractor will establish, in coordination with USAID and the Ministry of Planning, selection criteria for solicitation of proposals from local and international NGOs and local commercial banks that are committed to provide financial services to microenterprise on a sustainable basis. USAID anticipates providing at least \$5 million for competitive grants during the life of this SOAG. The individual grants will typically exceed

\$500,000 and are expected to support operating expenses for program expansion, capitalized loan funds, specialized technical assistance, training, and commodity procurement.

3. *Microfinance Information Systems:* Most microfinance institutions do not have information systems that can rapidly indicate the status of portfolio performance. Short-term loans with multiple repayments are generally shown to be the most effective for microenterprises. Also, deposit services are needed to streamline transactions, thereby making the deposit funds immediately accessible. If the information systems within the organization do not reflect the immediate situation with any given loan, the loan can become problematic for the lender. USAID and the Ministry of Planning will work together with the designated contractor to design an intervention designed to help microenterprise organizations understand the value of an adequate information system and then assist in designing, developing, installing and managing such systems.

4. *Microfinance Assistance to Commercial Banks:* USAID believes that the most sustainable way to address many constraints in the development of micro- and small business finance is to fully engage formal financial institutions such as commercial banks. In particular, USAID will seek to increase the number of micro- and small-entrepreneurs utilizing the commercial banking system. Beyond identifying and placing "graduate" repeat borrowers from existing or planned microenterprise initiatives, a number of additional activities are either anticipated or currently under discussion. One approach is to engage top local bank management in order to secure a commitment to micro and small-entrepreneurs. A second is to use existing mechanisms to facilitate movement of high performing entrepreneurs into the formal finance sector. A third approach involves assisting banks directly in developing loan packages, credit cards, and savings instruments that make expanded commercial bank outreach to micro- and small entrepreneurs less costly and more profitable.

5. *Microfinance Donor Coordination:* A range of NGOs provide microenterprise credit services in Jordan. There is, however, only an informal exchange of experience among the NGOs themselves as well as among foreign and domestic experts. While the World Bank is providing the bulk of the money in this area, USAID, the lead donor in terms of its technical approach, will help coordinate at a technical level so that the "best practices" contributed by USAID can be adapted and applied by other donors and implementing organizations. Direct or indirect support for initiatives undertaken by other donors in support of this Strategic Objective such as the World Bank, UNDP, Peace Corps and others may also be appropriate. If USAID, working with the microenterprise coordinating unit described below, can make overall micro finance activities in Jordan more effective in terms of outreach and sustainability, access to financial services should also increase. This in turn should expand economic opportunities for Jordanians throughout the country.

6. *Microenterprise Coordination Unit:* USAID will coordinate USAID-funded microenterprise activities under this Intermediate Result with the newly created microenterprise coordination unit established by the GOJ. To encourage better coordination and cooperation among the microenterprise community in Jordan, a quarterly meeting chaired by the Minister of Planning or his/her designee will be held to monitor progress and provide direction on further developments in the sector.

7. *Business Services Activities:* USAID and the GOJ will jointly identify a US-based institutional contractor and/or private voluntary organization to provide expertise to private small and medium enterprises in Jordan in the areas of Technology Transfer, Marketing, Quality Control, ISO Certification, and Management relevant to business development. Program design and development will be a joint effort between the Ministry of Industry and Trade and USAID. Activities will include technical assistance, training, and a small grants program aimed at making Jordanian small and medium enterprises more effective and competitive in the context of a global economy.

8. *Aqaba Development Activities:* USAID and the GOJ have jointly identified a U.S.- based contractor to carry out feasibility assessments for the development of a QIZ/Industrial Estate in Aqaba on land owned by the Jordan Industrial Estates Corporation (JIEC). Depending upon the outcome of these feasibility studies, USAID envisions developing the physical infrastructure for such an industrial estate. The estate will be developed as a public-private sector partnership with a private sector developer managing and operating the estate on a long-term concession basis. This industrial estate, should it prove to be feasible, will serve as a means of mobilizing private sector investment in labor-intensive, light manufacturing.

USAID may also develop an environmentally suitable business resource center in the heart of Aqaba city, in collaboration with the Aqaba Regional Authority (ARA). The first stage of this project will be to carry out a full feasibility study and initial physical planning. This would be followed by a technical assistance phase to fully plan and implement a competitive process to seek a private sector developer to execute the project. If approved, the center would be designed to preserve a small park area in the center of the city while enhancing the touristic potential of the site in a commercially viable and ecologically friendly manner.

Should the Aqaba Free Port/Special Economic Zone (AFP/SEZ) project go forward, USAID anticipates the provision of assistance in conjunction with other major donors and private sector investors. This assistance will be comprised of technical assistance, training, marketing assistance and development of customs points on the borders of the (AFP/SEZ) among other things. The principal government counterpart would be the ARA.

9. *Other Related Activities:* From time to time, other related activities aimed at further promoting and strengthening this Intermediate Result will be supported. Specific examples that fall within this category include the ongoing Peace Corps Special Project Assistance (SPA) program and a new youth entrepreneurship initiative patterned after the "Junior Achievement" model in the United States. Additional activities that strengthen business services and promote economic opportunities for poorer or underrepresented segments of Jordan's population will also be considered as appropriate. This would include such areas as income generation activities within the eco-tourism sector and socio-economic development for nature conservation.

10. *Program Development and Management Support:* This will include the provision of limited technical assistance (TA) related to the development and management of the business and financial services IR. This will entail the provision of expert advice and assistance on strategic planning, monitoring and evaluation under this IR, such as problem identification; data collection and analysis; and project/activity management. At a minimum, specific TA will include one U.S.

Personal Services Contractor working in the USAID/Jordan Office of Economic Opportunities and Free Market Development Program Advisors working with public sector, private sector or non-government organizations.

B. More Effective Implementation of Policy Reforms (IR 5.2)

1. *Assistance to the Investment Promotion Corporation (IPC)*: Technical assistance to the IPC will support USAID and the government's efforts to eliminate bottlenecks that affect investment. The IPC is starting to make progress in this area, although additional support is still needed. Supporting IPC offers several advantages: it has proven to be an effective agency in bringing about improvements in the policy environment; it is legally empowered to work towards the streamlining of government procedures that affect investment; and its mandate and existing efforts are concentrated in areas which coincide with, and directly support USAID's Economic Growth Strategic Objective. USAID in coordination with the Ministry of Planning may also assist the IPC in developing, consistent with USAID policy and laws prohibiting support for activities that would result in the loss of U.S. jobs, an investment promotion campaign aimed at attracting increased foreign investment in Jordan, including promotion of FTZ's and QIZ's.

2. *Other Technical Assistance*: USAID will make use of technical assistance and related training where it is requested by Jordanian partners and beneficiaries through the Ministry of Planning, and where it contributes to achievement of the Strategic Objective. This technical assistance may be both long and short term in nature, and will rely on both Jordanian and U.S. sources of expertise. At a minimum, technical assistance beyond that associated with the IPC (discussed above) will consist of survey work to show progress towards achievement of IR 5.2 and support to the Department of Customs in its implementation of policy reforms. Technical assistance and related training may be provided in a range of policy reform areas such as economic restructuring, privatization, competitiveness, tax reform, financial sector reform, capital markets development, central bank operations, government debt securities market development, statistics collection and analysis, commercial law, World Trade Organization (WTO) accession, Intellectual Property Rights enforcement, trade and investment reforms, and FTZ/QIZ reforms, among others. If necessary, policy work related to identifying and removing barriers to effective management of sustainable microenterprise and small business lenders will also be supported.

3. *Non-Governmental Organizations (NGOs)*: USAID, upon the request of the Ministry of Planning and other partners will support additional technical assistance in the areas of policy "supply" (e.g. transmission of ideas), and policy "demand" (e.g. collection and assessment of issues and ideas from a variety of business associations, trade associations, civic groups and other advocacy groups that have a special interest in achievement of the results in IR 5.2). USAID will also help these groups define the audience for a specific policy message, with a view toward engaging with that audience to further strengthen the constituency for policy reform. The audience for this USAID-funded support may be the GOJ, commercial banks or other private entities. The manner in which the NGO's engage their audience with USAID funding will consist of a variety of mechanisms, including informal or formal meetings, seminars, pamphlets, media messages and other initiatives.

4. *World Bank Technical Assistance Fund*: A technical assistance program focused primarily on privatization will be developed and implemented in cooperation with the Ministry of Planning (MOP)/Executive Privatization Unit (EPU) and the World Bank. The program will provide continued support for the economic reform program which aims to increase private sector participation in investment and economic growth. Specifically, this technical assistance package will result in the completion of several major privatization transactions, as well as targeted technical assistance related to modernization of the insurance industry and improved GOJ economic analysis capability.

#### C. Improved Environment for Sustained Policy Reform (IR 5.3)

This Intermediate Result incorporates balance of payments and debt repayment support in the form of a cash transfer. It also includes a series of conditions precedent and covenants regarding actions which improve the business and commercial environment in Jordan, expand opportunities for private sector participation, promote policy reform, and advance Jordan's economic restructuring concerns. Future cash transfers are contingent on the availability of funds. Such transfers will continue to be policy-based and will continue to include relevant conditions precedent and covenants aimed at supporting Jordan's economic efforts.

### V. PROGRAM APPROACH

This program has been designed to allow flexible selection and modification of activities over time in order to best achieve the strategic objective and intermediate results identified above. The emphasis under this program is on achievement of agreed upon results, not simply completion of specific activities. Consequently, activities to be financed under this Agreement, such as institutional incentive grants, technical assistance, training, and research, have not been specified in detail in this Amplified Description.

Although the program offers significant flexibility in selecting suitable activities to be financed under this Agreement, to be eligible for financing hereunder any grant, technical assistance, training, research or other activities must (1) contribute to the strategic objective and intermediate results described above, (2) be supported by cost estimates that are reasonable and reasonably firm, and appropriate analysis and planning, including feasibility analyses, where appropriate, with regard to institutional, technical, financial, environmental, social soundness, or other measures of feasibility, and (3) be likely to be completed within the timeframe and budget specified in the proposal.

Additional criteria for selection of activities will include customer demand, USAID comparative advantage, previous experience/ "lessons learned", sustainability, and cost sharing.

USAID will coordinate with the GOJ and other relevant parties prior to selection of activities for funding, as discussed above and using means appropriate under the circumstances, which may include consultation with the GOJ on the substance of proposed activities, approval of requests for proposals, review of solicited and/or unsolicited contract/grant proposals, selection of contractors/grantees, or other appropriate mechanisms.



USAID will enter into direct contracts and grants, as well as approve host-country contracting in limited circumstances, to support activities in support of the program. Such agreements will be in accordance with USAID acquisition regulations, USAID Directives/Handbooks, and other applicable laws, regulations and policy.

## **VI. MONITORING AND EVALUATION**

USAID and the GOJ jointly agree to provide resources and information to insure an adequate level of monitoring and evaluating needed to assess progress towards achievement of the Strategic Objective and Intermediate Results.

A progress review will be conducted at least annually, based on a range of indicators used to measure progress in achieving Intermediate Results. The annual USAID-generated "Results Review and Resource Request" (R4) represents the mechanism for reviewing progress and ensuring that activities are on track.

A performance monitoring plan and related performance data may be developed and agreed upon further in accordance with Article 2 and Section 7.2 of the Grant Agreement for the Strategic Objective ("SOAG") of which this Annex 1 is an integral part.

Financial audits of various activities and assistance instruments will be conducted in accordance with relevant standard provisions contained in Annex 2 of this agreement.

As determined during the course of implementation of this Agreement, USAID and the GOJ may from time to time jointly authorize an external evaluation of the progress and impact of the activities towards accomplishing the Strategic Objective and the Intermediate Results.

Each contracting/assistance instrument will include a performance-monitoring tool to permit USAID and the GOJ to evaluate progress towards the goals and objectives of the respective contract instrument.

## **VII. FINANCIAL PLAN**

The Financial Plan, set forth on Attachment 1 to this Annex 1, entitled "Illustrative Strategic Objective Budget", may be revised in accordance with Sections 3.1(c)(1) and 7.2 of the Agreement without formal amendment to this Agreement.

## ANNEX 1, ATTACHMENT 1

## ILLUSTRATIVE STRATEGIC OBJECTIVE BUDGET

SO: Increased Economic Opportunities for Jordanians

INTERMEDIATE RESULT	USAID FUNDING			LIFE OF SO
	PREVIOUS OBLIGATIONS	THIS AMENDMENT	TOTAL	
1. Increased Access to business services	60,718,770	0	60,718,770	90,000,000
2. More Effective Identification and Implementation of Policy Reforms	34,992,781	0	34,992,781	60,000,000
3. Improved Environment for Sustained Policy Reform	200,000,000	50,000,000	250,000,000	300,000,000
TOTAL	295,711,551	50,000,000	345,711,551	450,000,000